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California Energy Commission
Dockets Office MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: Summer 2005 Electricity Supply and Demand Outlook
Docket No. 05-SDO-1

Dear Dockets Office:

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to participate in the Commission's March 21, 2005 workshop. PG&E would also like to acknowledge the cooperation extended to us by the CEC Staff.

PG&E would like to supplement its comments that were presented at the March 21 Workshop (attached) with the following information:

- As noted at the Workshop, PG&E generally agrees with the conclusions contained in the Outlook – that Northern California should have adequate reserve margins under normal and hot temperature load scenarios (i.e., a 1-in-2 and 1-in-10 temperature demands, respectively).

- PG&E did indicate that the Outlook should use assumptions and methodologies consistent with the CPUC-adopted resource adequacy rules. TURN appeared to have supported this concept when it suggested that the CEC should adopt the "1-in-2 (normal) peak load plus 15 – 17% reserve margin target" as the planning criteria. The planning criteria shown in the CEC draft report of a 1-in-10 adverse load combined with multiple resource contingencies are useful to demonstrate extreme resource needs under worst case scenarios. However, if adopted for planning purposes, these would result in resource levels well above those needed to provide reliable, cost-effective electric service.

- Commissioner Pfannenstiel asked for additional details with respect to PG&E Summer demand response programs. As PG&E indicated, the Company has included those programs in our planning and operating plans which have responded to prior calls for load reduction. These programs include the Non-Firm Service Program, the Demand Bidding Program, the Base Interruptible Program (E-BIP), the California Power Authority's Demand Reserve Partnership, and the Critical Peak Pricing Programs.

- TURN commented that parties should begin looking into the load/resource needs for the 2006-2009 time-period. CAISO suggested that we should, at the very least, begin to review 2006. For the longer-term period suggested by TURN, PG&E has re-issued its Request for Offers on March 18, 2005, to acquire additional resources. This RFO was originally issued on November 2, 2004. However, PG&E suspended it in order to evaluate and respond to the CPUC's long-term plan decision (D.04-12-048, issued December 16, 2004). With regard to 2006, PG&E will design its portfolio to meet 115% of the expected coincident demand for 2006.

- The Outlook shows an 11,200 MW of dependable hydroelectric capacity and a "derated hydro" level of 8,463 MW for the CAISO control area. PG&E had questioned this approximate 2,700 MW reduction in dependable capacity, particularly when later in the Outlook, it states that "historical record shows that the dependable hydropower capacity at peak does not significantly change during a low water year." In subsequent discussions with CEC staff, it was disclosed that the 11,200 MW figure includes entities that are no longer in the CAISO control area (i.e., SMUD, WAPA, Redding, and Roseville). CEC staff also noted that the following statements in the Outlook are in error and will be deleted: "adding up individual units overstates the actual operational capability of the hydro system during a particular peak period. For example, multiple turbines located on a single river system cannot receive maximum water at the same time." PG&E noted that this conclusion is not appropriate for its hydro system and that its dependable capacity ratings have already accounted for any water flow limitations.

PG&E hopes that the CEC will find these additional comments useful and constructive.

Sincerely,

Les Guliasi

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Attachments (PG&E's March 21 Workshop Slides)